Blackstone First-Quarter 2025 Investor Call
April 17th, 2025, at 9:00am ET

Weston Tucker: Thank you, Katie, and good morning and welcome to Blackstone's first-quarter conference call. Joining today are: Steve Schwarzman, Chairman and CEO; Jon Gray, President and Chief Operating Officer; and Michael Chae, Vice Chairman and Chief Financial Officer. Earlier this morning, we issued a press release and slide presentation, which are available on our website. We expect to file our 10-Q report in a few weeks.

I'd like to remind you that today's call may include forward-looking statements which are uncertain and may differ from actual results materially. We do not undertake any duty to update these statements. For a discussion of some of the factors that could affect results, please see the "Risk Factors" section of our 10-K. We'll also refer to non-GAAP measures, and you'll find reconciliations in the press release on the Shareholders page of our website.

Also note that: Nothing on this call constitutes an offer to sell, or a solicitation of an offer to purchase, an interest in any Blackstone fund. This audio-cast is copyrighted material of Blackstone and may not be duplicated without consent.

Quickly on results: We reported GAAP net income for the quarter of $1.2 billion. Distributable earnings were $1.4 billion, or $1.09 per common share, and we declared a dividend of $0.93 per common share, which will be paid to holders of record as of April 28th.

With that, I'll now turn the call over to Steve.

Steve Schwarzman: Good morning and thank you for joining our call and thank you, Weston.

Blackstone reported strong first-quarter results, with distributable earnings up 11% year over year to $1.4 billion, as Weston mentioned. Fee-related earnings grew 9% and represented one of the best quarters in our history. We raised $62 billion of inflows in Q1—the highest level in nearly three years and approximately $200 billion over the last twelve months, reflecting broad-based momentum across the institutional, insurance, and private wealth channels. This fund-raising success lifted assets under management 10% year over year to a new record of nearly $1.2 trillion.

I'd say that $62 billion in a quarter is worth noting.

The firm delivered these results against a turbulent market backdrop, which of course has further intensified since quarter end. Uncertainty around tariffs, and their potential impact on economic growth and inflation, has dramatically impacted investor sentiment. It's early—it's too early—to assess the full implications of tariffs, which depend on the outcome of unprecedented multi-lateral negotiations, with perhaps over 100 countries around the world. The complexity of the situation means that patience and staying power are key. Importantly, the economy entered this period in a fundamentally strong position. Productivity has increased significantly over the past several years and technological innovation is accelerating, which are powerful tailwinds. The most important questions are: How sustained will this period of uncertainty be? And what are the second-order consequences, both domestically and for foreign countries? We believe a fast resolution is critical to mitigate risks and keep the economy on a growth path.

For Blackstone – it is the challenging environments that best showcase the strength and stability of our firm. We built our business to navigate periods of uncertainty and dislocation, with the vast majority of our assets under management committed under long-term contracts or in perpetual strategies. These structures afford us the flexibility to invest, the patience to sell, when the time is right. Our LPs have come to view us as an essential partner, and they've entrusted us with 177 billion of dry powder, positioning us exceptionally well to take advantage of the opportunities that arise. Our experience through many economic and market downturns has taught us that some of the best times to deploy capital are in a risk-off world when sentiment is most negative. And for our shareholders, Blackstone is an asset-light manager of third-party capital, with minimal net debt and no insurance liabilities. We therefore operate with a different risk profile than most other financial firms, giving us enormous flexibility to respond to changing conditions.

In terms of announced tariffs, we believe that the direct first-order exposure across our portfolio is limited, although there is potentially material impact to a relatively small group of our companies. In real estate specifically, tariff effects are likely to drive up construction costs and further reduce new supply, which is supportive for real estate values absent recessionary conditions. Construction starts in our two largest sectors in real estate—U.S. logistics and apartments—have already fallen to their lowest levels in more than a decade. We also benefit as a firm in many of our funds from a strengthening of foreign currencies relative to the U.S. dollar.

With respect to new investments, we will look to take advantage of this moment to capture value for our LPs. We continue to lean into areas where we have high conviction. We've invested $36 billion in the first quarter, and committed $13 billion to new deals, concentrated in areas benefiting from long-term secular tailwinds. We are creating the foundation for future value at what we believe is a favorable time. More volatile markets do mean we are less likely to sell in the near term – although that can change if conditions improve. We remain focused on building the long-term value of our holdings.

Meanwhile, the Blackstone innovation engine continues to power our growth. The firm's unique diversity and breadth, with over 80 distinct investment strategies, positions us well to navigate any environment. We are always working to identify the next paradigm shift in the market, and investing in our future growth. We continue to see the substantial benefits of the decisions we've made in the past, including establishing a dedicated wealth business to serve individual investors nearly 15 years ago when nobody in the alternative business was even thinking about that idea. Today we manage over $270 billion in the private wealth channel, comprising nearly a quarter of the firm's total AUM, which we believe is multiples of the size of our next-largest peer. Our vision in this area from the beginning was to provide individuals the same access to private market solutions that many institutions have enjoyed for decades.

This week, we announced a significant development in our mission to democratize private markets – a strategic alliance with Wellington and Vanguard, two exceptional leaders in liquid asset management. We plan to draw on the tremendous capabilities of our respective firms to collaborate on integrated public/private investment solutions. Blackstone is ideally positioned for this initiative, given our leadership in private markets and our expansive product line-up, including large-scale perpetual strategies in private equity, private credit, real estate, and infrastructure. We are very excited for this next frontier for our private wealth business. This alliance is yet another example of how Blackstone has been a pioneer in expanding the horizon of private markets – across strategies, geographies and new customer channels. We remain as innovative today as at any point in our history.

In closing, although the path ahead is now more uncertain, I am highly confident in our firm and our people to navigate it on behalf of our investors. Importantly, we have the significant advantages of long-term committed capital, our unique brand, and incredible talent, with an unmatched will to win. We do some of our best works in times of volatility, and I have no doubt that will happen once again.

With that, I'll turn it over to our television star, Jon Gray.

Jon Gray: Thank you, Steve. Good morning, everyone.

Despite the challenges of the current environment, Blackstone has multiple powerful engines that continue to drive us forward. I will highlight three of these areas this morning: (1) our continued growth in private credit; (2) our accelerating innovation in private wealth; and (3) our strength in the institutional channel across key open-ended and drawdown strategies.

Starting with our growth in private credit. There is a profound expansion underway in the traditional model of providing credit to borrowers, which is creating tremendous structural tailwinds for Blackstone. We've established the world's largest third-party focused credit business, with $465 billion across corporate and real estate credit – up more than two-and-a-half-fold in the past four years. Inflows for the combined credit platform were $113 billion over the last twelve months, comprising nearly 60% of the firm's total. Driving these inflows, as always, is performance. We continue to see outstanding results across both our investment grade and non-investment grade strategies, including direct lending, asset-based finance, leveraged loans and real estate high-yield lending.

One of the most exciting opportunities before us today is in investment grade private credit, where our business grew 35% year over year to $107 billion. Here we're focused on financing the real economy, including energy and digital infrastructure, real estate, commercial and consumer finance, fund finance and other types of asset-based credit. Blackstone's scale and reach in these areas, across both debt and equity, position us extremely well. We've also established numerous contractual relationships and forward flow agreements with banks and other originators, and we expect to do more.

In addition, one of the most significant areas of opportunity emerging is with large investment grade-rated corporates, who are looking for customized capital solutions. Two weeks ago, we announced a $5 billion solution for leading Canadian telecom company, Rogers, alongside the country's preeminent pension plans, backed by a minority interest in Rogers' wireless network infrastructure. This follows a $3.5 billion solution we designed for natural gas producer EQT

Corp in the fourth quarter, with respect to their pipeline infrastructure. In both cases, we leveraged the expansive breadth of our credit platform to create something bespoke for our partner – without taking on any balance sheet exposure at Blackstone.

For our clients, these transactions represent yet another avenue to access high-quality, directly originated investments. Since the start of last year, we've placed or originated $55 billion of credits, rated A-minus on average, for our private-investment grade-focused clients, which generated nearly 200 basis points of excess spread over comparably rated liquid credits. This activity has been mostly on behalf of insurers, although pensions and other limited partners are starting to explore moving a portion of their liquid fixed income assets to private IG credit. We believe the potential here is enormous. Meanwhile, in the insurance channel specifically, we continue to see strong traction with our open-architecture, multi-client model. Our insurance AUM grew 18% year over year to $237 billion across IG private credit, liquid credit, and other strategies. We have four large strategic relationships today along with 24 separately managed accounts and expect this number will continue to grow.

Last month, one of our four strategic partners—Resolution Life—announced the acquisition of a nearly $10 billion block of life insurance and annuities from Protective Life. We expect to manage nearly half of these assets over time on Resolution's behalf. This transaction is another illustration of Blackstone's ability to scale our insurance platform with key partners on a capital-light basis. And for Resolution, it further affirms their strong competitive position in the closed block acquisition market – a position we expect will be meaningfully enhanced under their new parent, Nippon Life, one of the world's leading insurers.

Turning to private wealth, our innovation is accelerating. Blackstone has built the largest private wealth alternative platform in the world, as Steve noted, with over $270 billion of AUM. We've continued to expand our product line-up, which now includes four large-scale perpetual vehicles in the U.S., providing individual investors deep access to the scale and breadth of the firm.

Following a very strong 2024, our fund-raising in private wealth grew significantly in the first quarter of 2025. And while it's still early in the second quarter, overall, across private wealth we've not seen a pullback in sales. We raised $11 billion in the channel in the first quarter, up nearly 40% year over year to the highest level in nearly three years. BCRED again led the way with almost $4 billion raised, on the back of outstanding performance – achieving 10% net returns annually for its largest share class since inception over four years ago. BXPE raised $2.5 billion in the first quarter and has grown to over $10 billion in only five quarters, delivering an annualized platform net return of 15% through February for its largest share class. BXINFRA received strong investor reception in its debut quarter with $1.6 billion, despite only being on a small number of distributors to date. And BREIT has continued to perform remarkably well through volatile markets, with its best quarter of returns in 18 months in Q1. BREIT has generated a 9.4% annualized net return for its largest share class since inception over eight years ago, equating to almost double the return of the public REIT index on a cumulative basis.

It's hard to overstate how valuable the Blackstone brand is in this channel, built on our differentiated performance and extensive network of relationships. Our brand positions us extremely well to bring new products to market. We plan to launch our fifth perpetual flagship—

"BMACX"—in the RIA channel on May 1st. This diversified strategy reflects the evolution of private lending into many different areas beyond non-investment grade corporate loans, and it will invest across our credit platform. BMACX will also have a ticker execution and daily subscriptions as compared to monthly sales and subscription documents for our existing perpetuals. We look forward to adding this new vertical to our product suite. Finally, we are particularly excited to collaborate with industry leaders, Wellington and Vanguard, on developing simplified access to public/private solutions. Overall, we see a huge opportunity ahead for us in the wealth market.

In addition to our private wealth and credit businesses, multiple other areas of the firm are showing strong results. Our dedicated infrastructure platform continues on its powerful growth trajectory, with AUM up 36% year over year to $60 billion. Performance has been outstanding, with the commingled BIP strategy achieving 17% net returns annually since inception. Our multi-asset investing business, BXMA, generated the 20th straight quarter of positive composite performance in its largest strategy. These returns drove BXMA's fastest growth in over six years, with AUM up 12% year over year to $88 billion.

In our drawdown fund area, we raised significant capital in the first quarter. We expect that the market volatility and geopolitical concerns will have some effect, but we enter this period with a lot of momentum. In Q1, we held the final closings for both our European real estate fund—the largest of its kind ever raised based on third-party commitments, at approximately 10 billion Euros overall—and our nearly $8 billion real estate credit fund. These are particularly remarkable achievements given the challenging environment for real estate, which speaks to the strength of our franchise in this area. We also held final closings for our $21 billion global private equity fund, along with our private equity energy transition fund, which reached more than $5.5 billion. We held a first close of $4.4 billion for our new private equity Asia flagship, for which we're targeting a substantially larger size than the prior $6 billion vintage. Other strategies we're raising, or expect to begin soon, include private equity secondaries, life sciences, opportunistic credit, infrastructure secondaries, GP stakes, and tactical opportunities. Despite high levels of market uncertainty, we move forward with the strength of our brand and the confidence of our limited partners.

In closing, we continue to lean in. We believe our brand-heavy, capital-light, open-architecture model is the best way to serve both our clients and our shareholders.

And with that, I will turn things over to the capable Michael Chae.

Michael Chae: Thanks Jon, and good morning, everyone.

In the first quarter, the firm delivered strong financial results and resilient fund performance, despite volatile markets.

Starting with results. The expansive breadth of our platform, and the power of our brand, drove excellent performance across inflows, AUM and management fees. Total AUM rose 10% year over year to nearly $1.2 trillion, as Steve noted, with $199 billion of inflows in the last twelve months. Fee earning AUM also increased 10% year over year, lifting management fees 11% to a record \$1.9 billion in Q1. Fee related earnings rose 9% year over year to \$1.3 billion, or \$1.03 per share – one of the three best quarters in our history.

Distributable earnings increased 11% year over year to \$1.4 billion in the first quarter, or \$1.09 per share, driven by the favorable growth in FRE along with a 22% increase in net realizations. While overall sales activity remained muted, as expected, principal investment income increased significantly due to the sale of Bistro—a portfolio visualization software platform developed in-house at Blackstone—to Clearwater Analytics. We originally created Bistro as a portfolio management tool to provide our insurance clients with a comprehensive view of their private credit holdings. It will now be integrated into Clearwater's world-class technology offerings, with continued access for our clients. While Blackstone's culture of innovation is usually associated with new investment strategies, the monetization of Bistro reflects how that culture of innovation pervades the firm, including with respect to our internal technology capabilities.

Looking forward, as Steve noted, we expect realization activity in the near term to be affected by policy-driven uncertainty and market volatility. Ultimately, we believe the firm's ability to deliver significant realizations in more constructive markets is considerable. Net accrued performance revenue on the balance sheet—our "store of value" stood at \$6.4 billion at quarter end, or \$5.24 per share; while performance revenue eligible AUM in the ground reached record \$583 billion, up 13% year over year. Meanwhile, fee-related earnings remain a powerful ballast to earnings and dividends for shareholders. FRE for the last twelve months reached a record \$5.4 billion, up 20% from the prior year comparable period, and has doubled in the past four years. We expect management fees to continue on a strong positive trajectory; our platform of perpetual strategies continues to expand substantially, widening the aperture for generating high-quality, fee-related performance revenues; and our underlying margin position is strong. The firm's significant embedded earnings power continues to build.

Turning to investment performance. We enter this period of external uncertainty with a portfolio that we believe is fundamentally well-positioned. With respect to the first quarter, the firm reported positive returns across all of our major strategies. Infrastructure led with 7.5% appreciation in the quarter and 24% for the last twelve months, including continued significant momentum in our data center portfolio – which benefited real estate and other areas of the firm as well. The corporate private equity funds appreciated 1.1% in the quarter and 14% for the LTM period. Our operating companies reported mid-single-digit revenue growth and resilient margins in Q1, underpinning appreciation that was partly offset by declines in certain public holdings amid the market turbulence.

In credit, our non-investment grade private credit strategies delivered a gross return of 2.7% in the quarter and 15% for the LTM period. BXMA reported a 2.6% gross return for the absolute return composite in Q1 – including positive performance in every month of the volatile first quarter. For the last twelve months, the composite return was 11%, and notably, each of the last 24 months, we generated positive returns. Finally, in real estate, the Core+ funds appreciated 1.2% in the first quarter, while the BREP opportunistic funds were up slightly, supported by positive cash flow growth across nearly every area of the portfolio.

Overall, these returns reflect the resiliency and strength of the firm's portfolio positioning. With respect to the environment going forward, that positioning provides a strong foundation as we enter a complex backdrop that will continue to evolve. It will take time to see how tariff developments unfold, as Steve noted, and how they translate to the real economy and corporate earnings. As always, the breadth and diversity of our global portfolio is a source of strength.

In closing, as with the many other challenging periods the firm has lived through in our four-decade history, we are well-prepared to navigate this one as well. Our long-term, committed capital provides us the staying power to weather storms; and we have enormous investment firepower to take advantage of the opportunities that arise. With multiple engines of growth and the support of our investors, we are confident in the future.

With that, we thank you for joining the call and would like to open it up now for questions.

Moderator: Thank you. As a reminder, please press star one to ask the question. We ask you limit yourself to one question to allow as many callers to join the queue as possible. Our first question comes from Michael Cyprys with Morgan Stanley.

Michael Cyprys: Great. Thank you. Good morning. Maybe just a question on the deployment opportunity set here, with nearly $180 billion of dry powder across the platform. You've mentioned that this could be an attractive deployment opportunity and environment for Blackstone. But given that it is highly uncertain and volatile, can you talk about how you find the confidence to put capital to work here and how you see the cadence and type of deployment playing out near term versus medium term? And also curious around any sort of leading indicators that would give you confidence that this is coming. Thank you.

Jon Gray: So, Mike, I guess I'd say a couple of things. What tends to happen in periods of dislocation is you see the reaction on the screen first, and we've certainly seen that the last couple weeks. So, you know, leveraged loans, high-yield bonds, public equities, those have moved. And in our areas where we have appropriate capital for that, we have accelerated deployment because in some cases, there are opportunities where we think the value of the security has maybe decoupled on the screen just given the technical. So, that's the first area.

I'd say the next area is looking at public companies. And as you can imagine, we're across our different platforms, often having discussions with public companies. And when stock prices trade-off, you know, the receptivity from boards to our prices may be better. And so you're looking for those things. And then, over time, there may be people who want to sell assets. There does, overall, tend to be a bit of slowness, as you know, in these periods.

But this can change pretty significantly. We saw this in 2020 where the year started off with no transaction activity and by Q4, things had turned. And in this case, given how fluid the tariffs are, you could have a shift in sentiment. But, I'd say for us, having $177 billion of dry powder and some real long-term conviction in the sectors we like: digital infrastructure, energy and power, life sciences, alternatives, the recovery in commercial real-estate, what's happening in India and Japan, we're going to see this as an opportunity to put out more capital.

So, it will take a little bit of time. But in terms of seed planting, this is certainly a better environment.

Michael Cyprys: Great. Thank you.

Moderator: We'll take our next question from Brian McKenna with Citizens.

Brian McKenna: Thanks. Good morning, everyone. You know, so there's clearly been a lot of focus on the private markets over the past several weeks. I think it would be helpful, you know, to get your perspective on why private market solutions work so well in any and all environments, some of the underlying characteristics of the business that allow you to be offensive when others are pulling back. And then, if you looked at past cycles or periods of volatility, the largest alternative asset managers, including Blackstone, have always emerged from these periods in an even stronger position with greater levels of market share.

So why is that? And then, is there any reason to believe this time around will be any different?

Jon Gray: No. In short. Look, I think the model is very well-designed for periods of stress. You know, it starts with us at the top, of course, running a business with, you know, almost no net-debt at all, no insurance liabilities so that we can weather a storm. It then goes to the fact that for most of our vehicles, we have the capital. We have $177 billion of dry powder. So when the dislocation occurs, we're not pro-cyclical. We can do the opposite of what's happening in markets and that allows you to generate excess returns. You want to be able to lean in when the prices come down.

And the problem is on just flow-related businesses so often, you don't have the money at the moment you most want it. And I think that's very important. I also think the long-term nature of our investing, what we do with our companies in private equity, where we buy a business, we intervene in this business, we add value, we work with the management teams. Those things are always positive, I believe, to the outcomes of the company, and that, in good weather, bad weather, that proves to be the case.

Also on the sales side, because we have these long-duration vehicles, we're not a forced seller. So we're not liquidating assets at the wrong moment. And then we take, as I mentioned in the last thing, a long-term approach, where do we see the global economy going? Where do we see the big opportunities? How do we take advantage of it? And I do think, it's this lens that is longer and the staying power we have, the patience, that really works.

We have the firepower to move quickly in dislocation, but the staying power with our structures to hold. And that's one of the reasons why, again and again, investors have seen the power of private assets. It's why you've seen this growth in the institutional business now over almost four decades, and why we have so much confidence individual investors will also be attracted to this.

So… the strength of the model, there are always questions, the stocks always trade down. And yet, when we re-emerge, because of the ultimate returns we produce for the customers, we get even more strength. And so, the short answer to your question is, we absolutely believe the same thing will happen here again.

Brian McKenna: Very helpful. Thanks, Jon.

Moderator: Thank you. We'll take our next question from Craig Siegenthaler with Bank of America.

Craig Siegenthaler: Good morning, Steve, Jon. Hope everyone is doing well. We wanted to get your perspective on the North American institutional channel. It's the most mature market for privates globally, they've been facing DPI headwinds for three years, and it's likely now that 2025 will be the fourth. So, what is your outlook for fund-raising in this channel, just given continued realization headwinds?

And if you can differentiate between private equity and then other segments like infra and private credit where allocations are low, that would be helpful. Thank you, guys.

Jon Gray: Good question, Craig. The North American channel is the most mature. I would also say that it has the most perspective having been through these cycles before. And, you know, versus 20 years ago, there's a strong sense when we're with our big clients in North America that they're staying with privates that these – this asset class has delivered for them, and yes, you know, they may slow decision making a little bit in this environment or they may anticipate getting less back in the way of DPI, but they're long-term committed to the asset class. And I think that's very important.

Within the various alternative areas, there are definitely certain segments in more favor today. I think secondaries will be seen as attractive given the liquidity providing, if it's difficult to exit through an IPO and M&A market. I think infrastructure, where they're generally well below their new targets, I think there's an opportunity and given the success we have in that area that I think bodes quite well for us. And then obviously in credit. First, in, you know, non-investment grade, but I think over-time, in investment-grade, we've been having a lot of interesting discussions with some of our pension fund clients in North America about getting exposure. So, I would say, near term for the North America clients, yeah, you may see a little bit of a slowdown in decision making. There may be a little bit of a denominator effect. But the overall bias is towards more alternatives. Certain areas will be stronger, and I just feel like we'll continue to this migration with them because of performance. And that is the underlying thing for everything. If you deliver strong returns, you attract more assets, and that's certainly been the case for North American funds.

Moderator: Thank you. We'll go next to Bill Katz with TD Cowen.

Bill Katz: Okay. Thank you very much. And I did join the call a little bit late, so I apologize if you may have covered this in your prepared commentary. I was wondering if you could comment a little bit on, just the opportunity to continue to expand the global wealth management business, and in particular, I think those announcements just a couple of days ago, working with

Wellington and Vanguard, I was wondering if you could maybe flesh out how that may come together in terms of products or opportunities?

And then some of the larger distributors, including Schwab, have continued to expand their selling arrangements. I was wondering if you are part of their initial foray into the high-net worth segment. Thank you.

Jon Gray: So, Bill, I think the wealth area is a very, very large potential growth opportunity for this firm.

You know, Steve did a good job laying out our history of going at this much earlier than others. The fact that, you know, we have a 300-plus person global team focused on the distribution, the fact that we started long ago doing our drawdown funds in the private wealth channel, then we created really the semi-liquid perpetual model that has grown obviously quite a bit.

We did that eight-plus years ago. And then I'll talk about what I think is the next evolution here with Wellington and Vanguard, and where this can go. But we positioned ourselves I think really well with both financial advisers and their underlying customers given the strength of our brand, and what we've delivered over time. What under—I think underpins all this is that individual investors want the same experience as pension funds get, or those who are in defined-benefit plans, they want to have the diversification, they want to have the higher returns.

And I think the last three months have been a good example. You know, the U.S. stock market, the S&P 500, which contains amazing companies, but if you looked at it, at the peak, 35% of the value was with seven great companies, but it was still pretty concentrated. And shouldn't individual investors have the benefit of private equity and infrastructure, private credit, real estate as ballast and diversification and strong returns? And the fact that we've delivered very strong net returns in our flagship products, I think is so important.

In terms of where this is going, we are continuing to try to enhance access to these products. I can't say a lot about specifically what we're going to do with Vanguard and Wellington, but the basic idea is to take two great world-class leaders in liquid assets, in both passive and active equities and fixed-income, and put that together with what we do in private assets and try to create holistic solutions for individual investors and expand the market in the process.

And I think the potential of this is quite significant because if you can offer enhanced returns and enhance diversification to individual investors in a more accessible way, more simplified way, I think that is powerful. So, we feel really good about the wealth market. And again, the strength of the brand, the Blackstone name and what it enables us to do with various distributors and with financial advisors, is really quite impressive. I don't think we're going to comment on any specific platforms we may or may not be on. But I would just say, in general, we continue to push out our distribution globally.

Moderator: Thank you. We'll go next to Glenn Schorr with Evercore ISI.

Glenn Schorr: Hello, thanks. So you piqued my interest. In your comments, you said there's limited direct first order tariff impact on your portfolio. I'm very curious on how you define that and how you assess that. And then big picture, we don't see big high-yield maturity walls. We don't – we haven't seen a huge pushout in high-yield spreads, so those have been well-behaved. So I'm curious on what type of stresses you see out there and how specifically your direct lending business is holding up in the face of that? Thank you.

Jon Gray: So on the first question, Glenn, we're defining, you know, sort of direct first order impact is companies affected by costs in the supply chain. So, those are businesses who are often manufacturers or retailers, where this is really going to hit their margins, their profitability. And that is not a large percentage. It's limited, as we said in our comments. But we do have to note, of course, that these second order effects exist, one being what happens in the capital markets, the cost of capital, the ability to have realizations, when you have a volatile market, that's certainly a knock-on effect.

And then thirdly, just more broadly, what happens with the economy. Does this lead to a real economic slowdown. And if it does, that of course, will impact many more businesses in our portfolio. I do believe the push by the administration, the comments by the Treasury Secretary this week, that they were hopeful to make some quick deals with some of our major trading partners. I think that will be very helpful, because I do think that the faster this tariff diplomacy can play out, the better it would be for the economy and markets. But that's sort of the basis of how we see the exposure.

On the credit side, the reason you're not seeing, I believe, credit stresses as you have in the past is because the overall system is much less leveraged. If you look at the typical direct lending loan we've made in our BDCs, they've been in the low 40% to 45% range of LTV, compared to going back '06, '07 when it was 70%-plus. So the overall amounts of leverage are much lower.

And I also think, you know, today, people are much more focused on capital intensity of businesses. They're looking at EBITDA-minus capex, more cyclical businesses are less leveraged. You look in commercial real estate again, even though we've been through a cycle, other than office buildings, there's been very little in the way of problems, again because there wasn't a lot of leverage going in. So the lessons from the financial crisis have really carried over and that's why, even when we get a shock, there may be individual industries that are impacted, but you tend to have much less systemic risk.

And I would not expect, based on looking at our portfolio, that you're going to see major issues just because, you know, we're starting off a low-base. Today, we're at 50 basis points of defaults across our non-credit – non-investment grade credit portfolio. I expect that's definitely going to go up over time, but I don't think this is anything like what we saw, let's say, in the GFC, just because we go in with such – much lower leverage. I also don't think we're going into that kind of economic environment.

Glenn Schorr: That was great. Thanks, Jon.

Moderator: We'll take our next question from Alex Blostein with Goldman Sachs.

Alex Blostein: Hey, good morning, everybody. Thank you for the questions. Well, I was hoping we can double-click into the investment-grade opportunity, Jon, that you talked about in your prepared remarks. Treasury Secretary earlier last week, I think, talked about some pretty meaningful regulatory changes to bank capital requirements. And one of the things he mentioned, I think, specifically was something along the lines of leveling the playing field between banks and non-banks.

Now, I think he was talking mostly around mortgages, but curious to kind of how you think about the origination opportunity for Blackstone in IG private credit, in light of potentially looser lending requirements on the bank side? And I guess what's the high-level pitch to the investment-grade borrower with going with a Blackstone solution versus cap markets or bank?

Jon Gray: Well, well, I think for the borrowers, I'll start there. That the pitch as you describe is really about the flexibility of the capital. So if you look at what we were able to do with EQT and Rogers, is we could come up with very bespoke solutions for them, that I think are much harder to execute in the public markets. And that's, I think, very powerful. I also think we're able to deliver a level of certainty that these counterparties appreciate. So if you think about the Rogers transaction, we announced it after April 2nd in the midst of all this market dislocation. So the fact that we're showing up, we're placing this in long-term hands, primarily insurance companies, I think that's very helpful for the underlying borrowers. I also believe, on the flip side, the question is, why does this work for investors? And, you know, the banks are going to continue, by the way, to have a very important role. And in many cases, the banks are helping us set up transactions, they can be origination partners. So, this is an environment where the two sides can collaborate a lot.

But what's really driving the investment-grade private credit, like everything in our business, is the returns. And the fact that we can bring up, let's say, a large group of insurance companies directly to borrowers, and in that process, eliminate a lot of origination and securitization and distribution costs, and they end-up with gross 200 basis points of a higher-return for an A-minus rated credit. That is very compelling if you're an insurance company. And, as I said, I think it'll expand to pension funds and sovereign wealth funds as well. So, I think the banks will face a different regulatory environment, and in certain cases, they may be more competitive. But ultimately, what they're trying to do, I believe, is drive their ROEs higher. So, in many cases, if we can be a partner to them, if they can do consumer finance or other types of finance, they can hold a portion of the loan, continue to get fees, but give the bulk of the loan, which is a low ROE business for them, that makes a lot of sense. So, I just think this is a structural shift. It's moving towards a place that generally works for borrowers, it's working for investors and that's why you see this very fast growth. The fact that investment-grade private credit grew 35% to over $100 billion, that is a powerful sign of what's happening. And again, we're doing this on a capital-light basis. For us, it's about the relative return we can deliver here. It's not about, we've made promises in terms of borrowings or some other form of financing and we are trying to earn a spread. We're just trying to deliver for our underlying insurance clients.

Alex Blostein: Great color. Thanks for that.

Moderator: We'll take our next question from Brian Bedell with Deutsche Bank.

Brian Bedell: Great. Thanks. Good morning, folks. If you could comment a little bit more on the international backdrop, I guess, both in the terms of, you know, the corporate decision making with the tariff negotiations. But more importantly, on your view on your ability to deploy, do you see any friction in the system as a result of some of the tariff back-and-forth? And maybe if you can comment on that situation in both Europe and Asia?

And if I can ask a second part to that on the other side of retail demand, I know you've been trying to do more in Japan, in terms of brokerage sales. And also considering the European capital markets – efforts internally in Europe to expand their capital markets. Does that expand your opportunity for retail sales there?

Jon Gray: Well, there definitely are questions from global investors, clients, about what's happening here. I'd say there's just a handful of those who, you know, have issues around the geopolitical climate, environment and what it means in terms of allocating capital. For most of our investors, it's just questions about where'sthe US going, what's going to happen here? I think they have a lot of confidence in the US given what returns have been over time.

But, this environment has created a bit of uncertainty. Again, which is why I think a resolution of the issues outstanding the tariff diplomacy would be very helpful. We have not really seen on a broad base, you know, clients globally or private wealth, as you mentioned in Japan, seen sort of any material pullback as a result of some of these tensions, at this juncture, and our companies continue to operate on a global basis.

Interestingly, you know, we have benefited as a large foreign investor from, you know, currency strengthening in places like the UK, Europe, and yen. But right now, I would say there's mostly just questions about where this is heading, some with more heightened concerns, but mostly just questions. And our businesses continue to operate as usual. I will say also, we're seeing a little more interest in diversifying a bit. And so, for some of our exits in Europe and Asia, it may end up facilitating some things as investors diversify.

But I'd still say it's early days, and my hope would be some of this stuff settles and we can sort of get back to terra firma.

Brian Bedell: Great. Thank you very much.

Moderator: We'll go next to Mike Brown with Wells Fargo Securities.

Mike Brown: Great. Thanks for taking my question. So, Jon, the wealth flows were tremendously strong in the first quarter. April sounds like it's off to a good start, but I believe the subscriptions would be April 1, so before Liberation Day, and we're in a fundamentally different world now. So how do you expect the wealth flows to hold up broadly and which asset classes do you think could remain in favor here, just given the uncertainty? Thank you.

Jon Gray: Well, we're only two weeks into the quarter basically. And, what we've seen so far overall is, we haven't seen a pullback in sales in the wealth channel. So, that has been encouraging to us. It's hard to make a lot of predictions about the future given the volatility in markets. But I think it does say something about financial advisers and clients growing affection for alternatives in their portfolios.

In terms of specifics, I would expect there'll be, you know, a move towards a little more caution, so you would expect credit at the margin does better, but that's just anticipating. I think the fact that private assets don't have the same volatility is something that I think investors, individual investors and their advisors, appreciate.

It's certainly something we're going to have to watch. But again, I think the performance is really what matters. You know, over time, I mean, the fact that we—Steve mentioned it—BREIT's delivered 9.4% over eight and a quarter years. That's nearly double cumulatively what you've seen in the public REIT market. Investors have seen this experience and it makes a difference with them. So, I think we're going to have to wait and watch, but at least for the first two weeks, it's been encouraging.

Moderator: We'll take our question from Steven Chubak with Wolfe Research.

Brendan O'Brien: Good morning. This is Brendan O'Brien filling in for Steven. I just want to drill in on the real estate fund-raising backdrop. Fund-raising for the broader industry seemed to turn a corner in 1Q before the recent macro and market volatility. However, as Steve pointed out, tariffs could end-up being a pretty significant tailwind to the business absent a recession and you've highlighted a number of other reasons why real estate is poised for strong returns over the next couple of years.

So I just want to get a sense as to how much this pitch is resonating with your LPs at the moment and maybe how appetite for real estate has evolved?

Jon Gray: Well, look, we were able to raise a large European fund in a period of time when both Europe and real estate were out of favor and similarly on the real estate credit side. So that was promising. I would say the conversations with institutional LPs around real estate have really improved over the last six months. The tone now is much more open. But it's still a sector that has underperformed, and you tend to see less allocation to those sectors.

You know, my gut is this period of time may slow some of the movement towards real estate. But as this recovery begins to take hold, I think you'll see the capital flow back. We've seen this historically in the '90s after the financial crisis. I don't really expect this to be any different. This may just create a little bit of a speed bump here, but the underlying facts of a lack of new supply, cost of capital coming down, that's going to be the foundation for a recovery in real estate, and I think investors will want to go to it. They'll be a little more hesitant in open-ended funds, probably more biased towards drawdown funds and fresh capital. But as we get deeper and more positive performance, I think real estate will then start to get more traction. We're still in that sort of early recovery phase.

Moderator: We'll take our next question from Ben Budish with Barclays.

Ben Budish: Hi, good morning and thank you for taking the question. I wanted to ask one for Mike, just on some of the financial targets for the year. Last quarter, you indicated Q1 management fees would grow 10% year over year. I was wondering if you could give us an update. I realize there's a lot of moving parts: wealth flows, realizations, what it means for fee earning AUM. But just curious if there's anything else you can share in terms of your expectations for management fee growth through the rest of the year. And, you know, along the same lines, I think you indicated stable margins year-over-year.

I think this quarter shook out a little bit better than most expected. So curious if there's an update there as well. Thank you.

Michael Chae: Yeah, Ben, thanks. I'll just start with, I think the picture is solid. Obviously, there are uncertainties in the world, but sort of underlying baseline of management fees, our margin position, sort of the broadening array of strategies eligible to earn fee-related performance revenues. That's a really positive picture over time.

I'll just start on management fees and it's probably worth clarification from relative to last quarter. Last quarter, we said a reasonable starting point for the year would be 10%, which was the fourth quarter management fee growth rate. And by that we meant quarter one. And that's exactly what we produced, 10%. In terms of the full year, we try to stay away from giving, as you know, specific guidance. But the key variables to think about remain in place and remain really the same as I talked about last quarter. We're going to see embedded in this, the fiscal year benefit, the full-year benefit of having activated a number of flagships over the course of last year.

As we talked about, we're now raising new drawdown funds, which will layer into management fees over time. As I mentioned, we're continuing to see expansion and broadening in perpetual strategies, a significant, sort of, management fee growth from that broadening array, and then, and also, fee-related performance revenues, and then significant momentum in our credit and insurance segment.

So the exact growth rate for the full year would be a function of these variables. But I think underlying this is a very, you know, fundamental, stable picture.

On margins, again, we were pleased with our performance in the quarter, a result of healthy double-digit management fee growth, strong underlying cost position.

As I said last quarter, there are a number of factors that could affect that this year. And so, it's early in the year. We always guide you to look at the full year. And we would just reiterate margin stability as a guidepost, notwithstanding the overall uncertainties in the operating environment.

Ben Budish: All right. Thank you very much.

Moderator: We'll take our next question from Ken Worthington with JPMorgan.

Ken Worthington: Hi, good morning. Thanks for taking the question. Jon, last year, you referred to it being a gold moment for private credit. What is your assessment today? Are we still in that golden moment or have we moved outside it? And you mentioned to a prior question, less leverage and less downside in the outlook. But what does the normalization in the credit outlook mean for the outlook for growth in private credit?

Jon Gray: So, I guess I'd break it into two parts. The golden moment part was related to the fact that base rates were very elevated, spreads were quite elevated, you could earn equity-like returns, you know, mid-teens returns, owning credit, senior credit. And some of that, of course, goes away as the Fed eased, 10-year has come down, spreads have tightened. And so the returns you can earn are not as high on an absolute basis.

But this really is more of a golden era when you think about the durable spread difference relative to liquid fixed income. And there, you continue to see a meaningful premium, and you can see it in our performance in the quarter. You can see it in our various BDCs that are out there that you're still able, because of this farm-to-table model, basically bringing the investors right up to the borrowers, you capture that incremental spread. That's not going away.

And that started, of course, in direct lending, non-investment grade lending, and it's moving quickly to investment-grade lending. And so, I think that area of private investment-grade lending is very early days. I think the non-investment grade will continue. And it just feels to me there are a lot of tailwinds. Tailwinds as banks think about optimizing their balance sheets, companies look to these large bespoke corporate solutions.

And we also have this reindustrialization happening. What's happening in data centers and what's happening in energy and power, those things are going to demand a lot of credit and it works really perfectly for private credit. And so, I just see a lot of engines in this direction. The adoption from the clients, both insurance and pension funds, is accelerating. I still think we have a long way to go here.

In terms of the credit cycle question, you know, yes, there's lower leverage. Whenever you get an economic slowdown, a dislocation, in this case, if a certain portion of the economy—manufacturing, retailers—face some headwinds, yes, you're likely to see some elevated defaults in that area. But I just don't see it on a really broad base unless the economy slows much more than we expect. There's just lower leverage. And by the way, we've seen this over the last three years. If we had said to people the Fed is going to take rates up 550 basis points, you would have expected to see a pretty meaningful default cycle across non-investment grade credits, and you haven't seen that.

So, I do think we'll see in the corporate area higher defaults. I do think we'll see, particularly if unemployment starts to move up in the consumer area, on lower FICO scores, higher defaults there. But overall, it does not feel nearly as problematic as maybe some have speculated.

Ken Worthington: Great. Thank you for the color.

Moderator: We'll take our next question from Kyle Voigt with KBW.

Kyle Voigt: Hi, good morning. Maybe just a follow-up on the Vanguard/Wellington partnership. Vanguard obviously has a substantial presence in the 401k channel. So really just wanted to get your updated thoughts on how close the 401k opportunity could be? And with this partnership announced, how do you feel about Blackstone's current positioning to capitalize on that opportunity?

Jon Gray: Well, I think the 401k opportunity at scale is going to require some regulatory changes. And so we're going to have to wait-and-see when that occurs. But it seems very logical to us, that opening up access to individual investors to the returns of private assets and the benefits of diversification, makes a ton of sense.

And so, I would guess, I don't know when, but I would guess this is going to come, and it does feel like it'll be a large opportunity. I do think these two groups who we've created a strategic alliance with are excellent when it comes to liquid assets. Both of them, both in fixed income and equities. And I think that offers a lot of potential. And of course, the fact that Blackstone has this slate of perpetual products at scale, and the 401K market is a scale market, and I think it will be a brand focused, high standard market.

I think that positions us extremely well. But I wouldn't want to comment much beyond that.

Kyle Voigt: That's great. Thank you.

Moderator: We'll take our next question from Patrick Davitt with Autonomous Research.

Patrick Davitt: Hey, good morning, everyone. I have a follow-up on the deployment question earlier. I think historically, one impediment, particularly for PE, has been that bank loan markets seize up and delay a manager's ability to step in quickly. So, do you think that is still the case? Or does private credit now having enough scale in dry powder to fill in that void and make it easier to step in quicker than in past drawdowns?

And in that vein, is your direct lending business willing to step in now to fund other sponsors' deal or still more in wait-and-see mode? Thank you.

Jon Gray: That is a great last question, Patrick. It's absolutely – oh, we've got one more after this. I was hoping to be done here. But anyway, I would say it's fundamentally different. As you know in the past, when you'd have volatility in public markets, high-yield spreads and leveraged loans would gap out, and that's exactly what's happened.

As a result, banks logically would say, hey, look, the pricing now for loans 150 basis points wider, plus I need additional flex. And that of course would make doing transactions too punitive. Both the cost of capital would go up and often the availability would go down. This time, because of the size and importance of private credit, you've seen things continue to move. And so you've seen a number of deals announced, including several by us in our private credit area, where we financed. And the pricing in private credit has not really moved materially at this point. And I would expect that private credit will continue to be there. It'll be available to our private equity businesses to borrow money, and then we'll provide it to other private equity firms. And I do think that is really a substantive difference from the way the world worked in the past. I think it's an improvement because it allows the cost of capital to stay reasonable in periods of dislocation. It allows transaction activity to continue. And I think it's part of the reason in the last few weeks, you've seen a number of announcements in a different environment, you just would not have seen that.

Michael Chae: And I'd just add to put a fine point on that, Patrick. It's Michael. That part of the essential proposition of private credit and direct lending is they deliver certainty. Certainty of cost of capital without flex and on rates and so forth. And I think that will be transformational for the ability of the private equity M&A market to continue to function, even in time of uncertainty.

Moderator: Thank you. We'll take our final question from Crispin Love with Piper Sandler.

Crispin Love: Thank you. And sorry, Jon, not quite done yet, but hopefully, this is the last one. How would you – how would you characterize the capital markets environment today just from your seat? Is the window shut on M&A and IPOs? Is it slightly open? And then, what do you expect to drive a better or worse environment in the coming months?

And can it change relatively quickly with the change in policy? Or even with policy changes, could still be delays just as uncertainty looms?

Jon Gray: I think it can change very quickly with policy changes. There's just a lot of underlying momentum. There was, if you looked at our portfolio in the first quarter, if you looked at what was going on in M&A and IPOs, I think if we get back, as I said earlier, to terra firma, if this tariff diplomacy is resolved more quickly, I think you could see markets recover. And we've seen it in the past and then you could see things open up again.

I think I'd differentiate maybe different subsets of the capital markets. The IPO market, which is the most sensitive to market confidence and conditions, that right now is probably been the most impacted and needs a better dynamic. As it relates to M&A, I would bifurcate it. I would say strategics who may have been thinking of using their stocks are probably a little more cautious. Financial buyers with dedicated discretionary capital are still in the market. And, to Patrick's earlier question, have access to direct lending.

And so that area, we continue to see deals getting done. And so, I think to me, the key is, do we get back to a place that's more stabilized, less volatile, people have clarity more about the capital markets, there's less risk about the economic outlook? And then I think you'll see people want to transact. We have been operating for the last three years well below historic levels, in terms of M&A and IPOs.

And I don't think that is the permanent state of affairs. I think when we get back to better conditions, those things will improve. And as to your question about the current conditions, I'd say they've slowed, but this is not completely shut. The IPO is the one area where the conditions are probably the toughest.

Crispin Love: Thank you, Jon. Appreciate it.

Moderator: That will conclude our question-and-answer session. At this time, I'd like to turn the call back over to Weston Tucker for any additional or closing remarks.

Weston Tucker: Great. Thank you, everyone, for joining us today and look forward to following up after the call.